

annual report '69

AR17



northern

THE NORTHERN LIFE ASSURANCE COMPANY OF CANADA

policyowners



Annual Reports are facts, figures, columns of numbers, assets, liabilities.

In addition, this report looks ahead to changes that are taking place in your Company.

Northern is committed to a policy of continually improving the quality of product and service offered to our policyowners.

With almost \$700 million worth of life insurance in force, we are proud to provide more than 70,000 policyowners across Canada and in the State of Michigan with assistance in their financial planning.

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president's report

The year 1969 was characterized by business growth and progressive development, generated in a climate of inflationary costs and new tax burdens. The sales organization, once again, established records that were substantially in excess of any previous year's performance. Marked gains were made in the sale of group insurance. Reinsurance expanded during the year. As a consequence, our business in force, excluding annuities, reached \$672,000,000 at the year-end.

During the past year, we were able to record a number of accomplishments which had some effect on our results during 1969 but will be felt more importantly in the years ahead. Plans were advanced in connection with our defined objectives of providing financial security services to the people of Canada and United States. The Company was further strengthened by the addition of able people in our Home Office and Field Organization. A program of management training and development was undertaken for all the officers and supervisory staff. New products were developed in both the equity-linked and traditional insurance fields, and a completely new Rate Manual was introduced last month. Our computer was installed in April and has undergone a thorough testing. The people who are directly associated with the electronic data processing area and those in the line departments have gained a familiarity and a confidence in the equipment and the programs. We plan to bring this facility on line during the first half of this year. We have continued our program of upgrading our Home Office and Branch Office premises. A functional cost study of all our expenses was completed during 1969 and will become much more meaningful in the years ahead as we are able to compare our basic data with our future years' experience and with that of the industry and with companies in our size range.

In 1970, emphasis will be placed upon continuing these plans of development, together with the introduction of new products in both the group field and the equity-linked life insurance areas.

The Northern Life is an exciting environment in which to work. Our industry is being challenged by the forces of change. I am happy to report that those associated with the Company are responding with interest, dedication, and increasing skills to the opportunities that lie ahead.



E. A. Palk
President

directors' report

The Directors are pleased to present their report for the year 1969 together with the accompanying financial statements.

NEW BUSINESS AND BUSINESS IN FORCE

New business, excluding annuities, amounted to \$149,726,520 for the year. This represented an increase of 21.4% over 1968 and established a new record for the Company. Total life insurance in force amounted to \$672,461,149 at the end of the year, for a gain of \$68,431,407 during 1969 compared with a gain of \$57,902,448 in 1968.

ASSETS AND LIABILITIES

Assets increased by \$4,321,250 during the year and amounted to \$91,989,361 at the year-end. The significant changes in asset distribution were the increases in mortgages, policy loans and common stocks, and the decrease in the bond portfolio.

On the liabilities side of the Balance Sheet, you will observe that the normal provisions were made for reserves for our policyholders and their beneficiaries. The Company's bank loan was increased by \$1,351,029 and amounted to \$3,441,676 at the end of 1969. Both the increase in indebtedness and the reduction in the bond portfolio reflected the Company's investment policy and the funds were used to finance the increases in mortgages, common stocks, and policy loans. With the high rates of interest that prevailed during the year, an increasing number of our policyholders availed themselves of the loan privilege in their contracts and, as a consequence, policy loans rose by \$1,072,109.

For the first time, an item appears on the asset side of the Balance Sheet entitled Segregated Investment Fund, and a comparable item appears on the liabilities side. The amount, while small, represents the Company's entry into the individual variable annuity field in Canada.

INCOME ACCOUNT

Both premium and investment income increased during the year. The Company's net rate of interest earned on invested assets rose from 5.92% to 6.00%. Our mortality experience was not as favourable in 1969 as it was in the previous year, and our expenses increased as a result of the higher costs of doing business, increased sales, and a number of planned improvements.

As a result of higher payments to policyholders and beneficiaries, increased expenses, and the introduction of the new Canadian Corporation Tax, the Company sustained a loss from operations of \$186,837 for the year.

SURPLUS

In view of the continued decline in bond prices during the year, it was considered prudent to further strengthen the Company's Investment Reserve by the transfer of \$900,000 from Unallocated Surplus. An appropriation of \$250,000 was also made to provide a base for the Segregated Investment Fund. After the transfer of \$205,383 to the Shareholders' Account, the Company's Unallocated Surplus amounted to \$9,314,264 at the year-end.

During the year, resignations from the Board of Directors were received from Col. J. G. Thompson, Col. D. B. Weldon, and Mr. H. L. Sharpe. Each of these men contributed greatly to the progress of the Company. Following a reduction in the number of members of the Board, Mr. H. C. Pinder of Saskatoon and Mr. M. Riel, Q.C., of Montreal were appointed.

The Directors appreciate the efforts of those associated with the Company, both in the field and Home Office, and extend to them our sincere thanks and commendation.

BOARD OF DIRECTORS

G. EDWARD HALL, MD, Ph.D

Chairman of the Board
The Northern Life Assurance Company of Canada
Director
International Business Machines Co. Ltd., (Canada)

E. A. PALK

President
The Northern Life Assurance Company of Canada

R. M. IVEY, QC

Vice-President
The Northern Life Assurance Company of Canada
Partner, Ivey & Dowler
Director, Bank of Montreal

L. F. STEVENS, FCA

Vice-President
The Northern Life Assurance Company of Canada
Executive Vice-President
Allpak Products Limited

F. W. P. JONES

Professor of Business Administration
University of Western Ontario

D. D. C. McGEACHY

Business Consultant

W. A. MCKENZIE

President
Admac Holdings Limited

H. C. PINDER

Secretary-Treasurer and Director
The Saskatoon Drug & Stationery Company Ltd.
Director, Canadian National Railway

MAURICE RIEL, QC

Senior Partner,
Riel, Bissonnette, Vermette & Ryan
Chairman, Montreal Metropolitan Corporation

Chairman of the Board

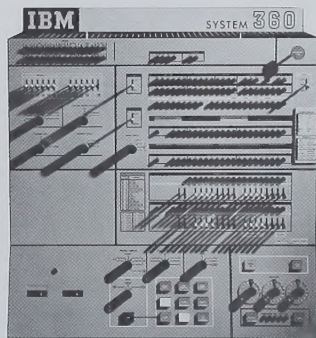
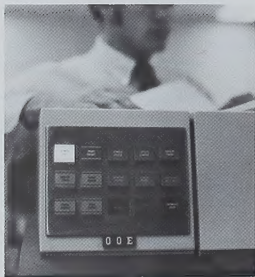
President

service



Looking ahead to the Seventies, Northern has installed a solid-state, magnetic tape IBM 360 computer. Currently processing basic material, the computer should be handling all regular processes by the end of 1970. Eventually the computer will be Information Central, providing instant information on every aspect of the company's operations, acting as a search centre, and providing precise data for policy-owner information.

The benefits? More information to policyowners and branch offices. Accurate and correlated facts instantly. And another operating asset for Northern.



balance sheet

THE NORTHERN LIFE ASSURANCE COMPANY OF CANADA

Year Ended December 31, 1969
(with comparative amounts at December 31, 1968)

ASSETS

		1969	1968
Debentures of or guaranteed by federal governments and the provinces of Canada	\$ 9,186,480		
Municipal, public utility, industrial and miscellaneous bonds and debentures	31,649,808		
Preferred and common stocks	<u>3,601,655</u>	\$44,437,943	\$44,252,022
First mortgages on real estate and agreements of sale		37,029,524	34,472,808
Loans on policies (fully secured by cash surrender values)		6,226,703	5,154,594
Real estate:			
Head office premises	1,461,048		
Properties held for investment	<u>906,408</u>	2,367,456	2,382,503
Cash on hand and in banks		173,954	3,310
Interest accrued but not yet due		947,527	951,706
Insurance and annuity premiums in course of collection (net)		521,617	451,168
Segregated investment fund		284,637	
		<u>\$91,989,361</u>	<u>\$87,668,111</u>

Note: The values at which the debentures, bonds and stocks are shown, are not in excess of amortized cost but in the aggregate exceed the values permitted by the Canadian and British Insurance Companies Act by approximately \$4,150,000 against which the company carries investment reserves of \$4,500,000.

LIABILITIES

		<u>1969</u>	<u>1968</u>
Policy reserves which, with interest and future premiums, are to provide for insurance and annuity claims as they fall due		\$61,271,310	\$58,777,318
Other obligations to policyholders and beneficiaries:			
Policy proceeds left on deposit and premiums paid in advance	\$ 7,587,563		
Policy claims awaiting proof	746,161		
Provision for unreported claims	77,000		
Provision for policy dividends payable in 1970 and subsequent years	<u>1,268,496</u>	9,679,220	9,123,942
Other liabilities:			
Bank indebtedness	3,441,676		
Staff and agents' pension fund	1,641,784		
Sundry amounts due and accrued	<u>625,304</u>	5,708,764	4,079,133
Segregated Investment Fund		284,637	
		76,943,931	71,980,393
Additional protection for policyholders and beneficiaries:			
Capital stock	1,000,000		
Shareholders' surplus	231,166		
Investment reserve	4,500,000		
Unallocated surplus	<u>9,314,264</u>	15,045,430	15,687,718
		\$91,989,361	\$87,668,111

AUDITORS' REPORT

To the Shareholders and Policyholders of
The Northern Life Assurance Company of Canada

We have examined the balance sheet of The Northern Life Assurance Company of Canada at December 31, 1969 and the statements of income and unallocated surplus for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. The liability to provide for payments guaranteed under insurance and annuity contracts, the dividends to be paid to policyholders, and the staff and agents' pension funds were determined and certified by the company's actuary.

Based upon our examination and the certificate of the company's actuary, we report that in our opinion the accompanying balance sheet and statements of income and unallocated surplus present fairly the financial position of the company as at December 31, 1969 and the results of its operations for the year ended on that date.

statement of income

Year Ended December 31, 1969
(with comparative amounts for the year ended December 31, 1968)

	1969	1968
INCOME:		
Gross premium income	\$ 9,669,176	\$9,171,140
Less dividends to policyholders	<u>1,309,354</u>	<u>1,220,056</u>
	8,359,822	7,951,084
Income from investments	<u>5,217,865</u>	<u>5,145,892</u>
	13,577,687	13,096,976
AMOUNTS PAID OUT OR SET ASIDE:		
For policyholders or beneficiaries —		
Death and disability claims	2,076,007	1,655,241
Matured endowments, cash surrender values, annuity and other payments	3,412,124	3,232,835
Interest credited to amounts on deposit, etc.	446,058	379,863
Increase in policy reserves to provide for future claims	<u>2,363,439</u>	<u>2,247,461</u>
	8,297,628	7,515,400
Expenses —		
Head office	1,234,352	1,129,082
Agency	2,748,604	2,657,356
Other	892,267	852,547
Depreciation of head office premises	25,000	25,000
Premium and other taxes and licences	226,673	185,004
Canadian corporation taxes	<u>340,000</u>	
	5,466,896	4,848,989
	13,764,524	12,364,389
INCOME (LOSS) FOR THE YEAR TRANSFERRED TO UNALLOCATED SURPLUS	\$ (186,837)	732,587

STATEMENT OF UNALLOCATED SURPLUS

Year Ended December 31, 1969
(with comparative amounts for the year ended December 31, 1968)

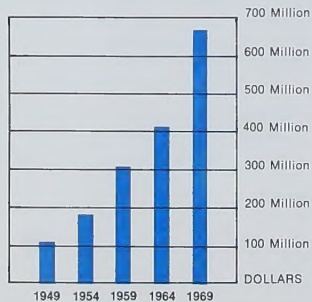
	1969	1968
Balance at beginning of year	\$11,001,935	\$12,305,865
Income (loss) for the year	(186,837)	732,587
	10,815,098	13,038,452
Deduct:		
Adjustment of prior year's policy reserves	145,451	
Transfer to shareholders' account	205,383	236,517
Transfer to segregated fund	250,000	
Transfer to investment reserve	<u>900,000</u>	<u>1,800,000</u>
	1,500,834	2,036,517
Balance at end of year	\$ 9,314,264	\$11,001,935

distribution of assets

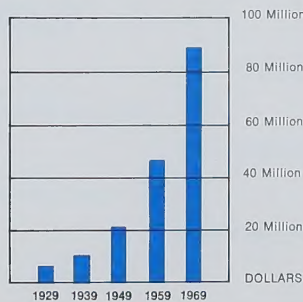
December 31, 1969

		Amount 1969	% to Total Assets	
			1969	1968
Mortgages and Agreements of Sale		\$37,029,524	40.25	39.32
BONDS				
Dominion and Dom. Guaranteed	\$2,481,984			
Provincial	6,207,801			
United States Government	496,695	9,186,480	9.99	10.32
Municipal		2,296,680	2.50	2.82
CORPORATION				
Transportation	736,721			
Public Utility	7,581,771			
Industrial and Miscellaneous	21,034,636	29,353,128	31.91	34.35
STOCKS				
Preferred	686,812			
Common	2,914,843	3,601,655	3.92	2.99
Loans on policies		6,226,703	6.77	5.88
Cash in banks and offices		173,954	.18	.00
Real estate		2,367,456	2.57	2.72
Accrued interest		947,527	1.03	1.09
Premiums in the course of collection		521,617	.57	.51
Segregated Investment Fund		284,637	.31	.00
		\$91,989,361	<u>100.00</u>	<u>100.00</u>

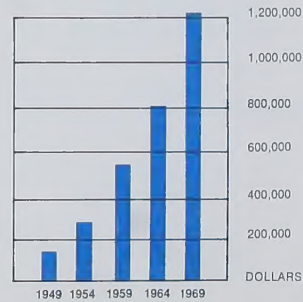
Growth of Insurance in Force



Assets



Dividends Paid to Policyholders



company officers

Management Committee

E. A. PALK
President

G. HORROCKS, FSA, FCIA, ACLU
Vice-President and Chief Actuary

R. M. IVEY, Q.C.
Vice-President - General Counsel

M. O'BRIEN, CLU
Vice-President and Director of Agencies

L. F. STEVENS, FCA
Vice-President — Finance

Actuarial

A. K. ARCHER, FSA, FCIA
Actuary — Individual Insurance

Administration

A. A. CAPITANO, FSA, FCIA
Actuary — Insurance Services

J. W. HUTTON, FSA, FCIA
Director of Systems and Planning

E. R. WALTERS
Secretary

L. A. PARÉ, CA
Comptroller

J. B. LUTMAN, FLMI
Superintendent of Electronic Data Processing

Agency

G. L. BOWIE
Superintendent of Agencies

R. B. NEUFELD, CLU
Superintendent of Agencies

J. G. POLLOCK, CLU
Superintendent of Agencies — Marketing

C. H. BASTLA, FCIS
Agency Secretary

Group

R. F. GLOVER
Superintendent, Group Administration

C. D. HOLLAND
Superintendent of Agencies - Group

Investment

D. J. GRANT
Treasurer

E. D. PATTEN
Superintendent of Mortgages

Underwriting and Medical

A. L. MANNESS
Underwriting Executive

F. S. BRIEN, MB, FRCP (c)
Medical Director

looking ahead



Everything points to a bright decade ahead. There is an increasing awareness of financial planning on the part of the public; new equity-linked plans are being developed; head office is expanding staff support systems to expedite the flow of information and material.

Judging from all indications, we can anticipate a steady and confident growth in our activities during the years ahead.

